Vermont State Retirement Systems
VPIC Investment Managers
Statement of Investment Policy Guidelines
Section B - Investment Manager Guidelines

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The following pages detail the specific investment guidelines that relate to each of the managers retained by the Vermont Pension Investment Committee. Each manager shall be governed by Section A of this Policy Statement, in addition to the manager-specific guidelines listed herein. Any exemptions granted in this document (Section B) shall supercede the guidelines described in Section A.

* Alternatives dealt with on a case-by-case basis

Manager Name

Pacific Investment Management

Asset Class

U.S. Large Cap Core Equity

Long-term Benchmark

S&P 500 Index

Style Benchmark

S&P 500 Index

Peer Group Universe

U.S. Large Cap Core Universe

Exemptions from General Guidelines:

PIMCO will have full discretion to invest in equity, fixed income and related securities. Quality and concentration limits will be applied at purchase.

Portfolio duration will not exceed 1 year under normal market circumstances; minimum credit quality =A-, minimum issue quality = B-, minimum CP credit quality =A2/P2

Should an issue be downgraded below these minimums, PIMCO will Offer corrective recommendation.

PIMCO will apply quality ratings using the higher of Moody's, S&P or Fitch. If an issue is not rated by one of these rating agencies, then PIMCO will determine a rating.

Purchases and sales may be permitted for regular and forward settlement to include hedging, spread, and income generating strategies and may include short/uncovered sales.

PIMCO will invest primarily in Stock Index Instruments but may at its discretion invest in individual equities, equity and index futures and options and warrants. A broad array of public and private fixed income asset classes and instruments will back the investment in Stock Indices, to include but not limited to :

- US and Foreign Money Market Instruments, Government And Agency securities, Supranational Obligations, Securitized issues (MBS/ABS/CMOs, etc.), Municipal and Corporate securities, Yankee and Euro bonds of fixed, Variable and floating rate:
- Private placements if eligible for resale under Rule 144A Only, Preferred stock, Mortgage Derivatives, Convertible Securities, Non-levered structured notes, Currencies, Interest Rate (pay/receive fixed rate) and Credit Default Swaps (buy/sell protection);
- PIMCO Private Sector Funds

PIMCO will not invest directly in the following:

- Commodities
- Companies whose primary source of revenue is tobacco

Concentration limits are as follows:

- Issuer: excluding Sovereign Debt, Agencies of the G-7 and and Supranational issuers maximum of 10%
- Issue: 5%
- Below BBB-: 20%
- Below B-: 5%
- Private Placements under Rule 144a: 10%
- Foreign Currency Exposure: 30%

PIMCO will seek to maintain the total contract value of its Stock Index Instruments between 98-102% of the total market value of the portfolio backing the Stock Index instruments.

Manager Name

T Rowe Price

Asset Class

U.S. Large Cap Core Equity

Long-term Benchmark

S&P 500 Index

Style Benchmark

S&P 500 Index

Peer Group Universe

U.S. Large Cap Core Equity Managers

Exemptions from General Guidelines:

T Rowe Price is permitted to hold up to 15% in cash.

T Rowe is permitted to invest up to 10% in Canada

T Rowe is permitted to hold individual security positions +/- 100 basis points of the weight in the S&P 500 Index. If a stock weight in the S&P 500 Index is larger than 3%, then the allowable band is +/- 150 basis points.

T Rowe is permitted to hold up to 10% of the account in stocks not contained in the S&P 500 Index at the time of purchase.

Small deviations from the constraints listed regarding security, industry and sector weightings are allowed if in the judgment of the manager these deviations do not contribute significantly to overall account risk.

T Rowe is permitted to vary the industry weights +/- 100 basis points of the same industry weights in the S&P 500 Index.

T Rowe Price is permitted to vary the sector weights +/- 150 basis points of the same sectors weights of the S&P 500 Index.

Investments in cash equivalents includes Custodian STIF.

IPOs are permitted

No single holding shall account for more than 5% of the outstanding common stock of any one corporation.

Additionally, no single holding across all of T. Rowe's actively managed portfolios shall account for more than 15% of the outstanding common stock of any one corporation. If such single holding across all of T. Rowe's actively managed portfolios exceeds the 15% limit, the manager shall liquidate the security position in the account as soon as practicable, taking into consideration the best interests of the account.

Manager Name

State Street Global Advisors

Asset Class

U.S. Large Cap Core Equity

Long-term Benchmark

S&P 500 Equal Weighted Index

Style Benchmark

S&P 500 Equal Weighted Index

Peer Group Universe

U.S. Large Cap Core Equity Managers

Exemptions from General Guidelines:

Tobacco - free

Manager Name

Mondrian Investment Partners Limited

Asset Class

Established International Equity

Long-term Benchmark

MSCI EAFE Index

Style Benchmark

MSCI EAFE Value Index

Peer Group Universe

Established International Equity Managers

Exemptions from General Guidelines:

Mondrian is permitted to invest in Canada (up to 10%)
Mondrian is permitted to invest up to 15% in emerging markets.
Mondrian may invest up to 15% in 144A securities.

Manager Name

Acadian Asset Management

Asset Class

Established International Equity

Long-term Benchmark

MSCI EAFE Index

Style Benchmark

MSCI EAFE Value Index

Peer Group Universe

Established International Equity Managers

Exemptions from General Guidelines:

May invest up to 20 % in emerging markets.
May invest up to 10% in Canada.

Manager Name

Wellington Management

Asset Class

Small Cap Value

Long-term Benchmark

Russell 2000 Index

Style Benchmark

Russell 2000 Value Index

Peer Group Universe

Small Cap Value Managers

Exemptions from General Guidelines:

Manager Name

Longwood Investment Advisors

Asset Class

Small Cap Growth

Long-term Benchmark

Russell 2000 Index

Style Benchmark

Russell 2000 Growth Index

Peer Group Universe

Small Cap Growth Managers

Exemptions from General Guidelines:

Longwood is permitted to invest up to 8% in a single holding (market value).

Manager Name
State Street Global Advisors

Asset Class
U.S. Mid Cap Core Equity

Long-term Benchmark
Russell 2500 Index

Style Benchmark
Russell 2500 Index

Peer Group Universe
U.S. Mid Cap Core Equity Managers

Exemptions from General Guidelines:

Manager Name

Delaware Investment Advisers

Asset Class

Core Fixed Income

Long-term Benchmark

Lehman Brothers Aggregate Bond Index

Style Benchmark

None

Peer Group Universe

Core Fixed Income Managers

Exemptions from General Guidelines:

May vary the average duration (interest rate sensitivity) of its global fixed income portfolio in a range of +/- 2 years around the index duration (40% proposed versus 25% guidelines).

May invest up to 15% in Rule 144A securities.

Manager Name

Post Advisory Group - Employees

Asset Class

High Yield Fixed Income

Long-term Benchmark

Lehman Brothers U.S. High Yield Index

Style Benchmark

None

Peer Group Universe

Domestic High Yield Managers

Exemptions from General Guidelines:

A maximum of 10% of the portfolio may be invested in bonds with a credit rating below B-. No bonds may be purchased that have a credit rating less than CCC-.

May invest up to 20% of the portfolio in any one industry.

Manager Name

Mondrian Investment Partners

Asset Class

Global Fixed Income

Long-term Benchmark

Citigroup World Government Bond Index

Style Benchmark

None

Peer Group Universe

Global Fixed Income Managers

Exemptions from General Guidelines:

May increase the ratio for larger markets (i.e. Euro and Japan) from 120% to 200%.

May invest up to 15% in Rule 144A securities.

The portfolio shall have an average weighted rating of A or better by the NRSRO (Nationally Recognized Statistical Rating Organization).

Mondrian is permitted to hold up to 15% in emerging market debt (time of purchase). Holdings of individual emerging market countries shall not be greater that 5% of the portfolio at the time of purchase.

Portfolio duration shall be limited to a range of 1 – 10 years

Manager Name
Brandywine Asset Management

Asset Class
Global Fixed Income

Long-term Benchmark
Citigroup World Government Bond Index

Style Benchmark
None

Peer Group Universe
Global Fixed Income Managers

Exemptions from General Guidelines:
The portfolio shall have an average weighted rating of A or better by the NRSRO (Nationally Recognized Statistical Rating Organization).

Brandywine is permitted to hedge all, some or none of the portfolio's currency exposure. They are permitted to cross hedge currency positions, but may not be net short any currency, or long more than 100% of the portfolio.

Brandywine is permitted to hold up to 15% in emerging market debt (time of purchase). Holdings of individual emerging market countries shall not be greater that 5% of the portfolio at the time of purchase.

Portfolio duration shall be limited to a range of 1 – 10 years.

The global bond portfolio may hold no more that 40% of its assets, at market value, in the debt of any single foreign government or non-US government entity with the exception of Japan or the US.

Manager Name

UBS Realty – Employees and Teachers

Asset Class

Real Estate

Long-term Benchmark

NCREIF Index

Style Benchmark

None

Peer Group Universe

Real Estate Managers

Exemptions from General Guidelines:

None

Manager Name

REIT Morgan Stanley PPR (Prime Property Fund) - Teachers

Asset Class

Real Estate

Long-term Benchmark

NCREIF Index

Style Benchmark

None

Peer Group Universe

Real Estate Managers

Exemptions from General Guidelines:

None

Manager Name
SSR Realty Advisors, Inc. – Municipal

Asset Class
Real Estate

Long-term Benchmark
NCREIF Index

Style Benchmark
None

Peer Group Universe
Real Estate Managers

Exemptions from General Guidelines:
None

Manager Name

Transwestern Investment Company - Employees

Asset Class

Real Estate

Long-term Benchmark

NCREIF Index

Style Benchmark

None

Peer Group Universe

Real Estate Managers

Exemptions from General Guidelines:

None

Manager Name

RREEF America LLC - Employees

Asset Class

Real Estate

Long-term Benchmark

NCREIF Index

Style Benchmark

None

Peer Group Universe

Real Estate Managers

Exemptions from General Guidelines:

None